



Iowa College Student Aid Commission

About the Iowa College Student Aid Commission

The Iowa College Student Aid Commission is the only State of Iowa agency with responsibilities delegated by the U.S. Department of Education for administration of the Federal Family Education Loan Program (FFELP). The Commission is the designated state agency responsible for administering state-funded programs totaling nearly \$70 million.

CRITICAL ISSUES

In the past 20 years, federal and state appropriations have provided a smaller and smaller portion of tuition and fees required of Iowa students and their families to assist in meeting postsecondary education expenses. As a result, the portion financed with debt has increased. According to the U.S. Department of Education, 8.5 million borrowers will seek nearly \$72 billion in federally-guaranteed student loans this year. In addition, many of these borrowers will seek up to \$20 billion in private education loans.

⇒ Access to Student Loans

The Commission is not aware of any Iowa students unable to secure a federally-funded student loan for the 2008-2009 academic year.

- 137 education lenders have exited or suspended their participation in all or part of the FFELP.
- 36 lenders across the nation have suspended private student loan programs.
- Several national lenders remaining in the program resorted to selective lending practices.
- Instability in the lending market has some Iowa colleges considering participation in the Federal Direct Loan Program.
- Should colleges change programs:
 - » Iowa students will experience lower quality service.
 - » Iowa banks will lose connections they now have with student customers.
 - » The Commission will see a reduction in revenue that would greatly impact the products and services available to Iowa students and families planning, preparing, and paying for college.

⇒ Loan Access Solution - Lender of Last Resort (LLR)

The LLR program ensures continued access to FFELP loans. If the Commission is notified that an eligible student or college is unable to find a FFELP lender, the Commission can activate the LLR option and make federally-guaranteed loans to the affected student(s).

⇒ Loan Liquidity Solutions for Lenders

The federal government has created two options for lenders to help alleviate loan liquidity concerns and to ensure reliable delivery of loan funds. These options include:

1. Loan Participation Purchase Program
2. Loan Purchase Commitment Program

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Loan Liquidity Solutions for Lenders, continued.

While the Loan Participation Purchase and Loan Purchase Commitment Programs offer liquidity for lenders to make additional FFELP loans, they leave a guaranty agency's loan portfolio vulnerable to a lender's decision to liquidate loans.

⇒ Increase in Federal Stafford Loan Limits

The Ensuring Continued Access to Student Loans Act of 2008 (ECASLA):

- Authorized a \$2,000 additional unsubsidized Stafford loan limit for loans first disbursed on or after July 1, 2008.
- These increases have helped reduce the need to borrow through private loan programs.

⇒ Increase in Federal Pell Grant Funding

The College Cost Reduction and Access Act (CCRAA):

- Extends Pell Grant funding authority through 2017.
- Expands the Pell Grant program by \$11.4 billion over the next five years.
- Increases the annual maximum award from \$4,310 in 2007 to \$5,400 by 2012.

⇒ Higher Education Opportunity Act of 2008 (HEOA)

On August 14, 2008, President Bush signed the Higher Education Opportunity Act of 2008 (HEOA). The HEOA brings about many significant changes to federal student aid programs including:

- Simplification of the Free Application for Federal Student Aid (FAFSA).
- Less restrictive requirements for federal ACG and SMART grants.
- Establishment of year-round Pell Grants, a new minimum award amount and lifetime Pell eligibility limit.
- Requirement of guaranty agencies to provide financial literacy to college students before, during and after enrollment.

⇒ Suggested Strategies

- Increase state appropriations for grant aid.
- Continue to increase the Commission's role in outreach programs to educate lowans on financing higher education.
- Continue to increase the Commission's role in college access initiatives in Iowa.

Questions? Please Contact:

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